PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

AGENDA ID #16394
RESOLUTION E-4926
April 26, 2018

R E S O L U T I O N

Resolution E-4926. Addressing proposals for Self-Generation Incentive Program (SGIP) cost allocation filed by Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas) pursuant to D.16-06-055.

PROPOSED OUTCOME:

- Approves, with modifications, proposals for Self-Generation Incentive Program (SGIP) Cost Allocation by PG&E and SCE. PG&E and SCE shall file updated proposals in specified rate proceedings.

- SDG&E and SoCalGas shall develop actionable cost allocation proposals in a specified future rate proceeding, as required by D.16-06-055 and this resolution.

SAFETY CONSIDERATIONS:

- There is no impact on safety.

ESTIMATED COST:

- No incremental costs are identified.

By Advice Letter PG&E (3749-G/4893-E) filed on August 22, 2016, as Supplemented (3749-G-A/4893-E-A) on September 30, 2016; SCE (3457-E) filed on August 22, 2016; SoCalGas (5016-G) filed on August 22, 2016; and SDG&E (2943-E) filed on August 22, 2016.

SUMMARY

This Resolution approves, with modifications, the proposals by PG&E and SCE for Self-Generation Incentive Program (SGIP) Cost Allocation pursuant to Ordering Paragraph (OP) 4 of Decision D.16-06-055 (Decision). The Advice Letters (ALs) submitted by SDG&E and SoCalGas are deficient and require new proposals to reallocate SGIP costs as part of their next General Rate Case (GRC) Phase 2 Application or Gas Cost Allocation Proceeding (GCAP), respectively.

For each utility named above, once modifications and / or new proposals are developed, SGIP reallocation should be implemented as part of rate changes considered in current or forthcoming rate design proceedings.

BACKGROUND

In 2014, Senate Bill (SB) 861 and Assembly Bill (AB) 1478 reauthorized and modified the SGIP to recover funds through 2019.[1] SB 861 also amended Public Utilities Code (PUC) Section 379.6(a)(1) to include the following guidance:

> It is the further intent of the Legislature that the commission, in future proceedings, provides for an equitable distribution of the costs and benefits of the program.[2]

As part of Rulemaking R.12-11-005, Energy Division Staff submitted a "Proposal to Modify the Self-Generation Incentive Program" pursuant to SB 861 and the Commission's Own Motion (Staff Proposal).[3] This Staff Proposal provides recommendations for maximizing ratepayer value and an equitable distribution of the costs and benefits of the program. In addition, the Staff Proposal noted that SGIP costs are currently allocated across all customer classes but that

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[1] PU Code S.379.6(a)(2) at p. 7.
[2] *Id.*
[3] Proposal to Modify the Self-Generation Incentive Program pursuant to SB 861 and the Commission's Own Motion, November 23, 2015 [R.12-11-005 Attachment at p. 8].

residential customers only received approximately 1% of the incentive despite contributing approximately 50% of the funds.

To implement the statutory requirements of PU Code Section 379.6(a)(1), Staff recommended that utilities should file cost allocation proposals to correct the inequality in the program and to comply with the new language in the law. Ordering Paragraph 4 of D.16-06-055 requires the utilities to adjust the SGIP cost allocation:

> Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company shall file cost allocation proposals to implement the statutory requirement of equitable distribution of the costs and benefits of the Self-Generation Incentive Program, in Tier 3 ALs to be filed no later than 30 days after the effective date of this decision.[4]

In addition, the text of the Decision states:

> PG&E is scheduled to file an upcoming GRC Phase 2 application, which is currently expected in June for Test Year 2017. SCE's GRC is scheduled for Test Year 2018. SDG&E and SoCalGas will not have another GRC until Test Year 2019, or possibly 2020. These schedules would result in two years of cost reallocation for SCE customers and either one or no years of cost reallocation for SoCalGas and SDG&E customers. In order to provide a more material impact, we prefer to consider proposals that could be implemented in the beginning of 2017.
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> Rather than wait for the filing of GRC Phase 2 applications, the utilities should file cost allocation proposals in Tier 3 advice letters, which shall be filed no later than 30 days after the effective date of this decision.[5]

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[4] D.16-06-055 at p. 84.
[5] D.16-06-055 at pp. 12-13.

The IOUs timely submitted their ALs as required by OP 4. PG&E's and SCE's ALs propose to modify the current SGIP allocation in the interim before their next scheduled GRC Phase 2 proceedings as required by the Decision. However, as discussed below, SDG&E's and SoCalGas's ALs made no proposals to change their SGIP cost allocations as required by D.16-06-055.

PG&E Proposal (AL 3749-G/4893-E)

PG&E proposes to reallocate the contribution of electric customer classes based upon the last 5 years of incentive dollars reserved and/or paid out in its service territory, shifting the burden from residential customers (50.1% current; 10.4% proposed) mostly to Large Commercial and Industrial customers (12.5% and 5.9% respectively, current; 37.2% and 35% respectively, proposed). [6]

PG&E proposes to allocate the SGIP revenue recovery using 75% of the 5-year historical average Advanced Energy Storage (AES) class share and 25% of the historical Generation class share. The proposed 75%/25% split is based on a forward-looking Commission allocation of SGIP incentives, but does not correspond to the Commission's historical practice.

PG&E proposes no change to its gas cost allocation until its next adopted Gas Cost Allocation Proceeding (GCAP), and to continue with the SGIP allocation adopted in its 2010 gas cost proceeding, (formerly named the Biennial Cost Allocation Proceeding).[7]

SCE Proposal (AL 3457-E)

Southern California Edison (SCE) proposes to allocate SGIP funds based on the proportional share of incentives provided by class, over a rolling three-year test

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[6] In a supplemental AL 4893-E-A, PG&E corrected an error in its initial cost allocation proposal for electric customers. PG&E explains that its original AL 4893-E erroneously included incentive dollars only for AES technologies.

[7] PG&E AL 4893-E-A/3749-G at pp. 2 – 3.

period. The percentage of incentives provided to a rate class over a test period will be allocated to the program's annual budget for the rate class for the year following the test period. SCE's proposal would allocate 1.3% of SGIP cost to its residential (Domestic) customer class, 1.9% to its small commercial GS-1 rate class, 4.8% and 26.9% respectively to its medium commercial GS-2 and TOU-GS-3 rate schedules, and about 65% to its large commercial/industrial TOU-8 rate schedules.[8] SCE is also proposing a change of recovery mechanism from the Distribution component of rates to the Public Purpose Programs Charge (PPPC) component of the rate.[9]

SDG&E Proposal (AL 2943-E)

SDG&E proposes to maintain the status quo and keep the current cost allocation pending the outcome of its General Rate Case (GRC) phase 2 proceeding (A.15-04-012). SDG&E believes that current cost allocation is in line with the statutory requirement of equitable distribution of costs and benefits within all customer classifications. Moreover, SDG&E argues that since it will not have another GRC until Test year 2019 or 2020, the proposed process will require an excessive amount of time to implement and that only one or possibly no years of cost reallocation benefits could be implemented during the remainder of the SGIP program.[10]

SoCalGas Proposal (AL 5016-G)

SoCalGas proposes to maintain the current cost allocation and that any necessary adjustments will be made only after the implementation of the program modifications have been evaluated and presented in the company's next Triennial Cost Allocation Proceeding (TCAP). The IOU argued that since it will not have another GRC until Test year 2019 or 2020, the proposed process will require an excessive amount of time to implement and that only one or possibly

[8] SCE AL 3457-E at p. 2.
[9] *Id.*
[10] SDG&E AL 2943-E at p. 2.

no years of cost reallocation benefits could be implemented during the remainder of the SGIP program. SoCalGas expresses concern with program modifications that will be introduced as a result of the Decision, especially the 15% set-aside to increase residential customer participation, and argues that the cost allocations should be implemented after the program modifications have been evaluated.[11]

NOTICE

Notice of ALs 3749-G/4893-E, 3749-G-A/4893-E-A, 3457-E, 5016-G and 2943-E was by publication in the Commission's Daily Calendar. PG&E, SCE, SDG&E, and SoCalGas state that a copy of their respective ALs were mailed and distributed in accordance with General Order (GO) 96-B.

PROTESTS

ALs 3749-G/4893-E (PG&E), 3457-E (SCE) were jointly protested by the California Large Energy Consumers Association (CLECA) and the Energy Producers and Users Coalition (EPUC) on September 12, 2016 and, by Office of Ratepayers Advocate (ORA) on September 12, 2016. Supplemental Advice Letter 3749-G-A/4893-E-A (PG&E) was protested by The Utility Reform Network (TURN) on October 20, 2016, and ALs 5016-G (SoCalGas) and 2943-E (SDG&E) were protested by the Office of Ratepayers Advocate (ORA) on September 12, 2016.

PG&E responded to the protest by CLECA/EPUC and ORA on September 19, 2016, and to TURN's protest of its supplemental AL on October 27, 2016. SCE responded to CLECA/EPUC's joint protest on September 19, 2016. SoCalGas and SDG&E responded to the protest by ORA on September 19, 2016.

CLECA and EPUC Protest

[11] SoCalGas AL 5016-G at p. 2.

CLECA and EPUC protested both PG&E and SCE's ALs on the grounds that: (a) an approval would contravene Commission orders adopting the GRC Phase 2 Settlement Agreements; (b) the ALs lack analyses of the revised cost allocations; their impacts, and the equity of those impacts and thus contain material omissions, and (c) they unjustly, unreasonably and discriminatorily fail to allocate the costs pursuant to the governing, binding settlement agreements.

CLECA/EPUC argued that PG&E's GRC Phase 2 Settlement Agreement on Marginal Cost and Revenue Allocation adopted in D.15-08-005[12] would be violated if PG&E's AL is approved. They maintain that leaving current cost allocation unchanged is equitable, particularly in view of the lack of analyses demonstrating that the subsequent results are also equitable, just and reasonable. In summary, they argue that PG&E's proposal to alter the cost allocation would unfairly discriminate against parties who believed that this issue was settled in the settlement agreement.[13] As stated in the CLECA/EPUC protest, these concerns apply equally to SCE.[14]

ORA and TURN Protests

ORA asserts that PG&E's stated reasons for not reallocating gas SGIP costs were insufficient and discriminatory to the electric class, as follows: (a) SGIP applicants are currently not required to provide their gas rate class information, (b) Applicants may be Core Transport Aggregator (CTA) gas customers, and (c) PG&E residential gas customers currently contribute a much smaller share to SGIP cost recovery than do residential electric customers. ORA recommends that the AL be rejected for failure to comply with the rationale to reflect "equitable participation among all customer classifications" and that PG&E be

[12] D.15-08-005 at pp. 14 -15
[13] CLECA/EPUC Protest to AL 3749-G/4893-E at pp. 2 – 7.
[14] Id, p.6: "Similarly, SCE's proposal would unfairly discriminate against parties to A. 14-06-014 who believed that that issue, along with others, was settled in a comprehensive and balanced manner and adopted."

directed to submit a revised AL that provides a cost allocation proposal consistent with the rationale of the Decision.[15]

ORA found that both SoCalGas' and SDG&E's proposals to maintain the status quo pending future rate proceedings would conflict with D.16-06-055. ORA argued that the Decision required SDG&E and SoCalGas to file proposals to modify the existing SGIP cost allocation without delay. ORA requests that SDG&E and SoCalGas submit new proposals with a cost allocation methodology similar to the proposal in SCE's AL 3457-E. ORA noted that SoCalGas' next TCAP is not until 2020, and SDG&E's next GRC Phase 2 would not take effect until 2019 and therefore the reallocation of SGIP costs would only be effective for at most one year during the remainder of the SGIP program under SDG&E's and SoCalGas' proposals.[16]

TURN protests PG&E's supplemental AL on the grounds that it proposes a 75% funding allocation to Advanced Energy Storage (AES) in the future, asserting that this is inconsistent with legislative intent and that it should be based on the past allocation of the costs between customer groups, which was 24% of costs for AES projects. TURN argues that residential customers received 0.5% of the generation subsidies and 13.7% of the AES subsidies over the past five years. Rather than weighting those customer class percentages based on the future budget allocation, PG&E should weigh the customer class percentages based on the actual historical spending on AES. The effect of TURN's proposal would be to reduce the residential share of SGIP costs from 10.4% (PG&E amended proposal) to 3.5%.[17]

PG&E's Reply to Protests

PG&E agrees with the Joint CLECA/EPUC protest that revising the cost allocation of electric customer classes before the conclusion of the next General

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15 ORA Protest to AL 3749-G/4893-E at p. 2.
16 ORA Protest to AL 5016-G at p. 3.
17 TURN Protest AL 3749-G-A/4893-E-A at pp. 1 – 3.

Rate Case (GRC), Phase II, would conflict with the agreement to allocate revenue set forth in the Marginal Cost and Revenue Allocation Settlement (the Settlement) adopted by the Commission in Decision D.15-08-005. They argue that the requirements in D.16-06-055 significantly deviate from the allocation adopted in the settlement agreement (SA), and as signatory to the SA, they propose to delay the electric SGIP reallocation until their next GRC Phase 2[18] instead of in advance of that proceeding, as proposed in AL 3749-G/4893-E.[19]

PG&E's Reply rebuts ORA, stating that the methodology used for electric cost allocation may not be reasonable to apply to gas, or at a minimum, may not produce a result that makes any sense, because there is not a similar 1:1 relationship between SGIP projects and gas. While an SGIP project may use a gas fuel, the same customer and project may not be a gas customer, or may have two gas meters and be on two separate gas accounts on the same premise. However, PG&E submits that if directed to resubmit its gas re-allocation proposal, it will require Commission guidance on the methodology to be used.[20]

PG&E disagrees with TURN's position that cost allocation consistent with legislation should be based on the past allocation of the costs between customer groups for all technologies, even though only 24 percent of costs in the past were utilized for AES projects. PG&E argues that there is no evidence suggesting it is prohibited to base a revised allocation on a forward looking view of expenditures rather than one based on past experience. Furthermore, PG&E recommends that TURN's proposal be denied, as "it would be inappropriate to unwind the allocation of costs adopted by the Commission in the past by electing a forward looking allocation that is not reflective of the expected program expenditures".[21]

SCE's Reply to Protests

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[18] A.16-06-013 filed in June 2016.
[19] PG&E Reply to CLECA/EPUC Protest to AL 3749-G/4893-E at pp. 1 – 2.
[20] PG&E Reply to ORA Protest to AL 3749-G/4893-E at pp. 1 – 2.
[21] PG&E Reply to TURN Protest to AL 3749-G-A/4893-E-A at pp. 1 – 2.

In its Reply, SCE agrees with the procedural issues raised by CLECA/EPUC, and requests the Commission delay determination of the appropriate cost allocation in order to allow it to comply with PU Code 379.6(a)(1). SCE agrees that the proposal in its AL is inconsistent with the terms of its SA and, if adopted, would affect the rates of entities who are not parties to R.12-11-005. SCE affirms that due to internal oversight, it failed to apprise the Commission of the SA both in its comments on the Proposed Decision issued in R.12-11-005 and in AL 3457-E.

SCE recommends that the Commission delay revising the SGIP cost allocation because CLECA and EPUC, among other parties, were not parties to R.12-11-005, and alleges that their rights were infringed upon due to lack of notice and an opportunity to be heard on the issue. SCE notes that Commission approved the SA's rates a couple of weeks before issuing a decision ordering submission of new SGIP cost allocation proposals. As such, SCE claims that the timing of the two Commission actions threatens to upend the bargain struck between 13 different parties representing a broad range of customer interests in the SA.[22]

SoCalGas' Reply to Protests

SoCalGas' Reply states that OP 4 of D.16.06-055 merely requires that it file a cost allocation proposal to implement the statutory requirement of equitable distribution of the costs and benefits of the SGIP, and does not require the utilities to propose a change to the current cost allocation. SoCalGas asserts that its proposal to maintain the current cost allocation does not make the proposal any less valid. SoCalGas reiterates that maintaining the current cost allocation

[22] In addition to SCE, TURN, ORA, CLECA and EPUC, the Commission-approved SA was signed by California Farm Bureau Federation (CFBF); Agricultural Energy Consumers Association (AECA); Southern California Fluid; Milk Handlers (SCFMH); Federal Executive Agencies (FEA); California Manufacturers & Technology Association (CMTA); Energy Users Forum (EUF); California City-County Street Light Association (CAL-SLA); Solar Energy Industries Association (SEIA); and Direct Access Customer Coalition (DACC).

and making any necessary adjustments during the next TCAP is the most appropriate way for all interested and impacted parties.[23]

SDG&E's Reply to Protests

In its Reply, SDG&E argues that the allocation of SGIP was addressed in SDG&E's GRC Phase 2 proceeding (A.15-04-012) and was part of the [then] pending settlement discussions on revenue allocations.[24] SDG&E's GRC Phase 2 proceedings include parties representing a wide range of customer classes and customer interests, and therefore, SDG&E reiterates that maintaining the current cost allocation and making any necessary adjustments to cost allocation during its GRC Phase 2 proceedings is the most appropriate way for all interested and impacted parties (including consumer advocates representing core and noncore customers) to evaluate that costs are equitably distributed across all customer classifications.

SDG&E argues that creating new cost allocations now would undermine the work of multiple parties in attempting to design a carefully balanced, fully integrated GRC Phase 2 settlement on revenue allocation[25], and that, any new cost allocation methodologies would be premature until the effects of Decision D.16-06-055 can be properly analyzed and understood.[26]

DISCUSSION

Timing and Notification Issues Affecting All Four Named Utilities

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[23] SoCalGas Reply to ORA Protest to AL 5016-G at pp. 2 – 3.
[24] A settlement agreement on revenue allocation issues in A.15-04-012 was adopted in D.17-08-030.
[25] As recently adopted in D.17-08-030.
[26] SDG&E Reply to ORA Protest AL 2943-E at p. 2.

We do not pass judgement on the CLECA and EPUC claims that changing the allocation of SGIP costs during the term of existing revenue allocation settlements would be a substantive alteration of those settlements. However, in an abundance of caution, we direct the four named utilities to address the allocation of SGIP costs proposed in the ALs at issue here in their ongoing GRC Phase 2 proceedings (PG&E and SCE), ongoing gas cost allocation proceeding (PG&E), or the next available rate proceedings (SDG&E and SoCalGas), as illustrated in the table below. PG&E and SCE shall file proposals in their ongoing proceedings in accordance with the timelines provided:

Appropriate Proceedings and Timelines for SGIP Proposals

Utility	Service	Proceeding	Due Date
PG&E	Electricity	A.16-06-013	30 days after effective date of Resolution
PG&E	Gas	A.17-09-006	45 days after effective date of Resolution
SCE	Electricity	A.17-06-030	30 days after effective date of Resolution
SDG&E	Electricity	GRC Phase 2 to be filed December 1, 2018	
SDG&E	Gas	Joint TCAP expected to be filed July, 2018	
SoCalGas	Gas		

PG&E Proposal

In AL 3749-G/4893-E and 3749-G-A/4893-E-A, as supplemented, PG&E proposes to (a) allocate the contribution of electric customer classes based on the last 5 years of incentive dollars weighted by the expected future budget allocation (75% AES and 25% Generation), and (b) maintain the current gas SGIP allocation.

We acknowledge CLECA/EPUC's argument that revising PG&E's SGIP revenue allocation would alter the revenue allocation settlement adopted in D.15-08-005. Without opining on the PU Code Sec. 1708 issue, in an abundance of caution, we direct PG&E to implement SGIP reallocation within its current GRC Phase 2 proceeding A.16-06-013.

We agree with TURN that PG&E's proposed forward-looking methodology of weighting of percentages, as proposed in supplemental AL 3749-G-A/4893-E-A, is inconsistent with Legislative intent, presupposes that actual spending will match budgets, and is mathematically inequitable. We decline to adopt the proposal in the supplemental AL as it is contrary to the intent of the law. Cost allocation should be based on actual incentives paid out historically, and not the forward-looking 75% AES / 25% Generation weighting proposed by PG&E. Moreover, we prefer SCE's 3-year rolling average of actual historical spending to PG&E's proposed 5-year rolling average, because a shorter base period would more closely align future cost allocations with actual benefits received.

We agree with ORA that PG&E's proposal not to reallocate the gas SGIP costs is discriminatory and is not in line with the intent of the Decision for equitable distribution among *all* classes. While we recognize that the gas reallocation presents difficulties that are not present for the electric reallocation, maintaining no changes to the current gas allocation would be in violation of D.16-16-055. PG&E is directed to reallocate its SGIP revenue requirements from both gas and electric customers to reflect the legislative intent by adopting the approach proposed by SCE for the electric SGIP funding as well as the gas SGIP funding, to the extent feasible. Furthermore, we direct PG&E to implement gas SGIP reallocation in A.17-09-006, its current Gas Cost Allocation Proceeding (GCAP).

SCE Proposal

In AL 3457-E, SCE proposes to allocate costs based on the proportional share of incentives provided by class, over a rolling three-year test period. SCE is also proposing a change of recovery mechanism from the Distribution component of rates to the Public Purpose Programs Charge (PPPC) component of rates.

We agree with ORA that SCE's 3-year rolling average methodology has merit, because a shorter base period would more closely align future cost allocations with actual benefits received. Accordingly, we find that SCE's proposed use of unweighted proportional share of historical incentives provided by class is the correct approach.

As with PG&E's proposal, we do not pass judgement on CLECA/EPUC's conclusion that deviating from a previous SCE GRC Phase 2 settlement by reallocating SGIP revenue would alter that settlement. As discussed above, in an abundance of caution we direct SCE to implement SGIP reallocation within its current GRC Phase 2 proceeding A.17-06-030.

Finally, we decline to adopt SCE's proposal to shift SGIP cost recovery from distribution to PPP here on procedural grounds. Generally, structural changes to PPP (as a defined cost category) should not be undertaken in an AL except as a response to an OP from a decision. Furthermore, SCE's proposal would lead to cost recovery impacts to unbundled retail customers that would require review in a GRC Phase 2 proceeding.

SoCalGas Proposal

In AL 5016-G, SoCalGas proposes to maintain the current cost allocation and delay any necessary adjustments to SGIP until the next Triennial Cost Allocation Proceeding (TCAP), which according to SoCalGas filings in Application A.15-06-020 would not be effective until 2020.[27]

SoCalGas justifies its proposed postponement of a cost allocation proposal because (a) the SGIP program modifications need to be evaluated, especially the 15% set-aside in the Decision to increase residential customer participation, and (b) the greenhouse gas reduction, peak load reduction, and grid stability benefits created by the SGIP "are not specific to any one customer classification," and (c) that the Decision modified incentive rates and budget allocations with the intent of improving incentive equity among all technologies.[28]

We note that the AL process is not the proper avenue for SoCalGas to protest program modifications as a result of D.16-06-055, and that the IOU had ample time and a procedural venue to raise these concerns in R.12-11-005. We disagree

[27] A.15-06-020 at p. 35.
[28] SoCalGas AL 5016-G at p. 2.

with SoCalGas' contention that the Decision does not require the utilities to propose a change to the current cost allocation, and that maintaining the current cost allocation is the best course of action. However, similarly to the case of PG&E and SCE, we direct SoCalGas to implement SGIP reallocation within its next available rate proceeding: its Triennial Cost Allocation Proceeding (TCAP), expected to be filed in July 2018.

We agree with ORA that SoCalGas should incorporate SCE's proposed 3-year rolling average methodology into its proposal to best align SGIP cost allocation with incentives provided. SoCalGas should adopt a 3-year rolling average of actual historical spending resulting from the disbursement of program incentives in its service territory to calculate the methodology for cost allocation.

SDG&E Proposal

In AL 2943-E, SDG&E proposes to maintain the current cost allocation and propose any necessary adjustments in the company's next Phase 2 General Rate Case (GRC). SDG&E argues that since it will not have another GRC until Test year 2019 or 2020[29], the proposed cost allocation will require an excessive amount of time to implement and that only one or possibly no years of cost reallocation benefits could be implemented during the remainder of the SGIP program.

As with SoCalGas, we find that the Decision does in fact require the utility to propose a change to the current cost allocation. As with PG&E, we do not determine whether PU Code Sec. 1708 requires further action, but in an abundance of caution, we direct SDG&E to implement electric SGIP cost reallocation in its next available rate design proceeding, whether the GRC Phase 2 or a Rate Design Window proceeding. We direct SDG&E to implement gas SGIP cost relocation in its next TCAP.

[29] D.17-08-030 directed SDG&E to file its next GRC Phase 2 Application on December 1, 2018.

SDG&E should incorporate SCE's proposed 3-year rolling average of actual historical spending methodology into its proposal to best align SGIP cost allocation with incentives.

COMMENTS

Public Utilities Code Section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. SB 861 (2014) explicitly added Legislative intent that the Commission "provide for an equitable distribution of the costs and benefits of the SGIP program" and extend the program by additional 3 years, from 2016 to 2019.

2. Residential customers account for roughly one percent of issued rebates for SGIP projects despite contributing over half of the entire budget.

3. We need not rule on whether P.U. Code Section 1708 requires further proceedings. However, we find it reasonable to direct the four affected utilities to seek the relief they seek here in the GRC proceedings and gas cost allocation proceedings, as described in this Resolution.

4. SGIP cost allocation should be consistent with the Legislative intent to provide an equitable allocation of the costs and benefits. The allocation methodology should be based on actual incentives paid out and should take into account the impact of program changes as they occur.

5. The allocation of SGIP costs should be updated annually on a 3-year rolling basis based on incentives paid out.

6. PG&E's electric and gas SGIP cost allocation methodology should allocate costs on the basis of the unweighted actual allocation percentages resulting from the disbursement of program incentives over the previous three years in its service territory.

7. The cost allocation methodology as proposed by SCE should be adopted. However, we find that an advice letter is not an appropriate venue to consider recovery of SGIP costs via the Public Purpose Program (PPP) as uniquely proposed by SCE. Any proposal to shift SGIP cost recovery to PPP should be considered in a GRC Phase 2 proceeding.

8. The cost allocation methodology for SoCalGas and SDG&E should allocate costs on the basis of the actual percentage allocation of funds resulting from the disbursement of program incentives over the previous three years in its service territory.

ORDER

Therefore, it is Ordered:

1. Advice Letters 3749-G/4893-E (PG&E) are approved as modified herein. PG&E shall file proposals in accordance with the proceedings, timelines, and directives below:

Utility	Service	Proceeding	Due Date
PG&E	Electricity	A.16-06-013	30 days after effective date of this Resolution
PG&E	Gas	A.17-09-006	45 days after effective date of this Resolution

a) Allocate costs on the basis of the actual benefits resulting from the disbursement of program incentives over the previous three years in its service territory, without weighting 75% AES/25% Generation to reflect expected future incentive payouts.
b) The allocation should be updated on a rolling basis annually to account for changes in eligibility and market factors.

2. Advice Letter 3457-E (SCE) is approved as modified herein. SCE shall file a proposal in its current GRC Phase 2 proceeding (A.17-06-030) within 30 days of the effective date of this Resolution, consistent with the following directives:

   a) Allocate costs on the basis of the actual benefits resulting from the disbursement of program incentives over the previous three years in its service territory, without weighting 75% AES/25% Generation to reflect expected future incentive payouts.

   b) The allocation should be updated on a rolling basis annually to account for changes in eligibility and market factors.

   c) We decline to change SCE's cost recovery mechanism to the Public Purpose Program (PPP) category as proposed in AL 3457-E. Any proposal to shift SGIP cost recovery to PPP should be considered in A.17-06-030.

3. Advice Letters 5016-G (SoCalGas) and 2943-E (SDG&E) are approved as modified herein. SDG&E and SoCalGas shall file proposals in accordance with the proceedings, timelines, and directives below:

Utility	Service	Proceeding
SDG&E	Electricity	GRC Phase 2 to be filed December 1, 2018
SDG&E	Gas	Joint TCAP expected to be filed July, 2018
SoCalGas	Gas	

a) Allocate costs on the basis of the actual benefits resulting from the disbursement of program incentives over the previous three years in its service territory.

b) The allocation should be updated on a rolling basis annually to account for changes in eligibility and market factors.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 26, 2018; the following Commissioners voting favorably thereon:

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ALICE STEBBINS
Executive Director